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# Gorbachev's Plans: Westerners See a Lot of Zeal, but Little Basic Change

By PHILIP TAUBMAN  
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MOSCOW, Feb. 22 — Since he took power 11 months ago, Mikhail S. Gorbachev has attacked economic problems with a zeal unmatched since Nikita S. Khrushchev disbanded entire layers of bureaucracy 25 years ago.

But despite all the zeal it has become apparent that he plans no fundamental changes in the centralized Soviet economy, according to Western economists and diplomats. And without profound change, they said, it is not likely that the Soviet economy can achieve the ambitious growth objectives set by Mr. Gorbachev and become more competitive with the West.

Sounding at times more like an evangelical preacher than a Communist leader, he has campaigned against corruption and alcoholism, exhorted workers to double their efforts, abolished Government agencies, dismissed scores of senior managers and talked bluntly about economic failings.

When the Communist Party convenes its 27th congress in Moscow on Tuesday, it is expected to approve, with little revision, a highly ambitious program for economic development through the year 2000. The plan includes specifics for development over the next five years, with longer-term priorities through the end of the century.

The plan, which reportedly went through at least four drafts before it satisfied Mr. Gorbachev's demands for growth, calls in part for doubling national income over the next 15 years, increasing labor productivity by 150 percent and ending the Soviet Union's chronic shortage of agricultural and consumer goods.

## Plans Stop Well Short Of Radical Changes

But to many Western economists and diplomats Mr. Gorbachev's goals seem unattainable because his plans for change stop well short of the structural transformations they believe are needed to make the cumbersome, state-controlled economy more flexible and dynamic.

"It is now quite clear that Gorbachev has no intention whatsoever of introducing radical reforms in the Soviet economy, at least in this decade," Ed A. Hewett, a specialist on the Soviet economy at the Brookings Institution, wrote in an article to be published soon in the quarterly Soviet Economy.

The second-ranking Soviet party official, Yegor K. Ligachev, left little doubt about the limits of change when he said last year that economic transformations would take place "within the framework of scientific socialism," without "any shifts toward a market economy or private enterprise."

Soviet officials have made it clear that they consider China's adoption of free-enterprise practices a dangerous and unacceptable departure from Marxist-Leninist principles.

Instead, Mr. Gorbachev's plan is to try to make the existing system work better by streamlining central management and giving individual enterprises greater autonomy.

His strategy to spur growth in the short term appears to depend heavily on gains in labor productivity produced partly by the anticorruption and anti-alcohol campaigns, plus the infusion of new managers.

That would buy time, in theory, for the wholesale modernization of the economy, including the introduction of advanced technologies, that Mr. Gorbachev has promised will generate rapid growth in the 1990's and beyond.

The Soviet military budget is classified, but Western diplomats said it appeared Mr. Gorbachev would like to limit the growth of military spending to help finance development in the civilian sector.

Soviet officials have said, however, that military matters would remain the highest priority. Specifically, they have cautioned that Washington would be mistaken if it assumes Moscow cannot afford to keep pace with the United States in the development of space-based weapons.

There has been some talk among Soviet economists about the need for more daring changes, but skepticism in the Soviet Union about the Gorbachev program is muted.

One reason is that initial Soviet figures show that the economy rebounded in 1985 after a lethargic first quarter, ending the year with a burst that brought the annual growth rate to 3.1 percent.

## A Better Economy Brings Higher Hopes

Although Western economists said the recovery was based on better weather and temporary increases in labor productivity produced by the Kremlin's discipline campaign, Mr. Gorbachev's initiatives have raised expectations among many Russians.

Mr. Gorbachev's efforts, diplomats said, have also unsettled large segments of the bureaucracy threatened by a loss of power and the privileges that go with it.

Philip Hanson, a specialist on the Soviet economy at the University of Birmingham in England, concludes in another article soon to be published in the Soviet Economy journal that "the whole economic strategy being pursued by the new leadership probably appears radical to many Soviet citizens, including many senior officials."

The Soviet economy, after years of relatively robust growth in the 1960's and early 1970's, has struggled to advance in the last 10 years. From 1976 to 1980, according to figures published by the Central Intelligence Agency, the economy grew at an average rate of 2.6 percent a year.

The C.I.A. reported that growth remained in that range through the first half of the 1980's, with the exception of 1983, when it reached 3.7 percent because of an unusually good harvest.

Soviet figures, which are calculated on a different basis, showed growth running at an average annual rate of 3.2 percent from 1981 through 1985.

The five-year plan for 1986-90 that Mr. Gorbachev has proposed calls for an average annual growth rate, according to Soviet calculations, between 3.5 percent and 4.1 percent. In the 1990's he projected growth of more than 5 percent a year.

## A Call for More Money For the Soviet Worker

During the next five years, according to the plan, the target figure for an increase in the average monthly per capita income will be between 13 percent and 15 percent. The target for the increase in industrial labor productivity is between 20 percent and 23 percent, and the production of a variety of household appliances is to increase by more than 130 percent.

The five-year plan, incorporating a special program for the development of consumer goods approved by the Politburo in 1985, envisions more than doubling the production by 1990 of different kinds of goods, including clothing, furniture, televisions and video players, and expanding the delivery of medical care and a host of service industries.

The plan puts a premium on improving quality as well as quantity. Mr. Gorbachev, reflecting a common sentiment among Russians, has often complained about shoddy consumer goods and indifferent services. Similar efforts launched by previous leaders produced only marginal improvements before collapsing.

In addition the plan calls for substan-

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tial increases in agricultural production, housing construction and the development of energy resources. Under the plan, oil production, which has declined in the last two years, would increase slightly, while natural gas and coal production would grow sharply.

At the same time, energy conservation would improve and the production of electric power from nuclear reactors would rise.

## The Nuts and Bolts: Gorbachev's Ideas

Here are some of the specific changes Mr. Gorbachev has advocated to achieve these and dozens of other goals in the plan:

¶Pouring investment capital into renovation of the aging industrial plant rather than into construction of new factories. Under the five-year plan, half of investment would go to retooling existing factories, compared with the current level of about 30 percent. A particular emphasis would be placed on expanding and modernizing machine-building industries.

¶Developing and introducing into industry new technologies like computers and robots to improve productivity

and efficiency. Mr. Gorbachev said last year: "We must harness scientific and technological progress. There is simply no other way." Western experts said the Soviet Union lags 5 to 10 years behind the West in computers, microelectronics, robotics and other advanced technologies.

¶Redirecting the central planning bureaucracy away from active involvement in day-to-day operations of enterprises toward broader policy formulation, consolidating ministries, and turning over increased authority to plant managers and workers. Five ministries and a committee dealing with agriculture were abolished last year and their responsibilities combined in a new super agency. Similar moves are expected this year involving the management of energy and fuels, minerals and raw materials and construction materials.

¶Revising the system of incentives by linking wages more directly to the quality of goods produced and giving workers a greater share of revenues that exceed planned targets. Mr. Gorbachev said last year, "Our system of material incentives is extremely confused, cumbersome and inefficient."

¶Transferring managers and manufacturing techniques from the military to the civilian sector. For years military industries, provided with the best resources and people, have produced higher-quality products and operated with far greater efficiency, according to diplomats.

## A Failure to Address Fundamental Problems

Western economists and diplomats contend that Mr. Gorbachev's changes, while sensible as far as they go, only tinker with a system that produced rapid industrialization under Stalin but is ill-suited to compete with the West in the post-industrial era.

They said Mr. Gorbachev has so far failed to address several structural problems that cripple the economy.

The most basic, they said, is the centralized nature of the system. Streamlining the planning bureaucracy and giving greater autonomy to plant managers may reduce some of the inefficiency and rigidity, according to the Western specialists, but will not reduce the system's traditional resistance to innovation, particularly the development and application of new technologies.

"A perverse system of incentives promotes inefficient behavior by enterprise managers and dampens the introduction of new technology into the economy," Robert M. Gates, the Deputy Director for Intelligence at the C.I.A., told Congress in 1984. Diplomats said there have been no signs of increased flexibility since then.

Stories are legion about factories more concerned about the volume of goods produced than the quality, because of the heavy emphasis in the system on reaching or exceeding production targets set in the annual plan.

## The System Thwarts Attempts to Innovate

One diplomat said, "There's no incentive in the system to develop and use new technologies, because their introduction will disrupt production and might cause a failure to meet goals set in the plan."

A related problem is the system of subsidized prices that costs the Government tens of billions of rubles a year. Western economists said it also stifles competition and thwarts quality.

Writing in a recent issue of EKO, the journal of the Economics Institute in Novosibirsk, David M. Kazakevich, an economist, noted that the price of bread has not changed for 30 years and the price of dairy products has remained the same for 23 years.

Any major decentralization would require radical alterations in the pricing system, according to economists, to allow the price of goods to reflect the cost of their production and to let market forces, rather than central planners, determine production levels.

Mr. Gorbachev talked last year of the need to change the pricing system, but he has not proposed specific changes. Diplomats are waiting to see if the party congress takes any action on prices.

## Fewer Workers And Fewer Dollars

In addition, there are problems beyond the immediate control of the Government. The population's growth rate is declining, producing a drop in the number of people entering the labor force.

Murray Feshbach, an expert on Soviet demographics at Georgetown University, has calculated that the labor force grew at an annual rate of 1.8 percent during the 1970's but fell to an annual increase of 0.5 percent in the early 1980's.

Declining oil prices are also likely to cut into Mr. Gorbachev's plans by reducing the hard-currency earnings that are needed to import new technology from the West.

Oil exports to the West account for 60 percent of Moscow's hard currency revenues, or about \$15 billion last year, according to Western diplomats. If oil prices remain depressed, this income could drop by 30 percent in 1988.

Ultimately a failure to meet the economic goals he has set may force Mr. Gorbachev to consider more radical transformations, Western economists said.

Political constraints, however, would make the adoption of major structural changes difficult, they said.

One diplomat said, "It is safe to assume that Gorbachev is acutely aware that he cannot afford to get too far out in front of the party and the bureaucracy."